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CENTRAL INTELLIGENCE AGENCY

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1. During an executive meeting in the Finance Division of the SMA it was decided that the currency reform in the Soviet zone would coincide with a similar move in the western zones. Intentions to start the reform earlier were dropped; however, preparations have reached a stage where conversion could take place at any time.

25X1A Comment: The same source reported some time earlier that the currency reform would coincide with the establishment of a "Unity Party". It is believed that the term "Unity Party" refers to the rumor of a possible merger of the CDU and LDP with the SPD in the Soviet zone.

25X1A According to [REDACTED] the Soviet authorities believe that the currency reform in the western zones will occur any time after the first of May, but very probably around the first of June. They also believe that the new money has already been printed.

2. In the course of the above-mentioned SMA meeting, the problem of coverage was discussed again. It was suggested that state-owned enterprises should serve as backing for 1.5 billion marks, co-operatives for 0.8 billion marks. The USSR is not willing to give any financial aid by backing the currency reform in any way. The only concession on the part of Russia would be to authorize a loan of fifty per cent. of the estimated value of Soviet AGs as backing; this would serve as additional coverage of about one billion marks. Loans for the industries should be obtained from neighboring eastern countries; those loans are to be guaranteed by agricultural co-operatives. The evaluation of individual industries for the purpose of coverage should be based either on recorded values for outdated equipment or on price quotations of 1944.

3. Business of the still existing foreign exchange department of the former German Reichsbank is to be wound up as soon as possible.

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4. The main reason for establishment of the Economic Commission (Wirtschaftskommission) is alleged to be the endeavor to gain control over the capital of the entire industry before the currency reform takes place.
5. SED organizations in the Soviet Zone are at present withdrawing bank deposits. These, along with other SED cash, are being sent to Berlin, where bills are registered with the SMA. The SED gets a receipt for the registered bills which are sent clandestinely into the western zones and given to organizations of the Communist Party. Purpose of the move is (a) to protect the SED against an anticipated currency reform through the exchange of registered bills at par; (b) to pay obligations and finance the movement in western zones with money expected to be worthless in the Soviet Zone in the near future. Comment: The above paragraph was previously disseminated in [REDACTED]
6. How well prepared the Russians are for the initiation of an immediate currency reform is indicated by a report according to which the entire supply of new banknotes intended for the State of Brandenburg has been deposited in the safes of the Landeskreditbank (?) in Potsdam. The banknotes have already been assigned to the various branches of the bank throughout the State, and will be delivered by truck on a date as yet to be determined. During the past eight to ten weeks a number of shipments of banknotes arrived from Leipzig but were shipped out again at regular intervals.
7. From Brandenburg comes, furthermore, the following report, which cannot be judged as to reliability: A certain Captain Vladikovskiy, who was previously with the SMA in Karlshorst and alleges that his present assignment is the preparation and execution of the currency reform for Brandenburg, claims that the deadline is 15 May, but thinks it possible that the date might be either advanced or postponed by a few days. According to his version, it is important "to beat the Americans to the draw" and initiate the currency reform ahead of the Western Powers. The exchange ratio is expected to be 1:3. Comment: Another source reports a proposed ratio of 1:10). Regulations pertaining to salaries, wages, and pensions will be the same as applied during the currency reform in the USSR.
8. Some changes in personnel among German financial experts are contemplated. Dr. Bruno Gleitze, hitherto vice-president of the Central Finance Administration, has lost the confidence of the SMA because of mistakes he made when setting up a financial plan. The former Reichsbankrat Hubert is considered as successor to Gleitze. Hubert has already attended important financial conferences. Another leading official of the Central Finance Administration, Dr. Erwin Meyer, will stay in office "on probation". All other persons politically not trustworthy will be removed from key positions.
9. In high German financial circles it is claimed that the currency change-over will provide the best pretext for a complete shutting-off of the Soviet zone and the Soviet sector of Berlin from the rest of Germany. The Russians will claim that it is absolutely necessary to check closely all movements of persons and goods. This explains the preparations observed at the border for maintaining close supervision, and also the presence of newly arrived special border troops in Berlin. Plans have been drawn for the complete control of all American, British, and French transportation between Berlin and the rest of Germany. These include the demand that all aircraft be required to land at an airport near Leipzig for inspection of passengers and cargo to prevent any illegal movement of monies. The Russians will insist that this is positively necessary for the good of the people of the Soviet zone, that the Western Powers are after all responsible for this cleavage in the German economy, and that there is no other choice but for them to exercise strict controls to protect eastern Germany.

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